MCES Customer Service Listening Session

Ned Smith, Director of Finance
Purpose

• To discuss MCES’s Customer Level of Service and Customer Service Improvement Plan

• To listen to our customers’ feedback and additional suggestions to improve communication, collaboration and service
MCES Service Area and Facilities
Customer Level of Service

• Financial
  • Predictable & justifiable rates
  • Fair, equitable, and transparent cost allocation
  • Well-maintained assets
Customer Level of Service, cont.

• Public Health, Safety, and Environmental Protection
  • Consistent Permit compliance
  • Minimal backups and spills
  • Lead by example on sustainability
Customer Level of Service, cont.

- Customer Service
  - Be a good neighbor
  - Provide planned capacity
  - Communicate & coordinate
  - Engage customers
  - Be a valued partner
What We Heard Last Year...

• We need Fact Sheets to help us communicate:
  • SAC
  • Wastewater Charges / Cost Allocation
  • Inflow / Infiltration
  • MCES Services

• We need easy, online access to information:
  • Flow (I/I Programs & Cost Allocations)
  • Maps
  • Explanation of Bills & Rates
  • Capital Projects
  • Industrial Waste Online Reporting

• We need regular communication and collaboration:
  • Capital Program
  • Coordination of Utility & Road Work
  • Good Neighbor Issues (e.g., odors, etc.)
  • Flow Allocation Charges
  • I/I Program
  • SAC Program
<table>
<thead>
<tr>
<th>WHAT</th>
<th>WHEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fact Sheets</td>
<td>April, 2017</td>
</tr>
<tr>
<td>Budget Workshops with Customers</td>
<td>May/June, 2017</td>
</tr>
<tr>
<td>Online Customer Access to Information</td>
<td>Spring, 2018</td>
</tr>
<tr>
<td>Independent MCES Customer Service Evaluation</td>
<td>Summer, 2018</td>
</tr>
</tbody>
</table>
Wastewater Services

We treat wastewater from bathing, laundry, toilets, kitchens and other indoor water uses.

A $7B System...

- 8 wastewater treatment plants
- 610 miles of sewer pipe
- 60 pump stations

Why is it important to keep our sewer system in good repair?

- Protect public health
- Manage assets effectively
- Protect other infrastructure
MCES Capital Program History

• $136 Million Annually (inflation-adjusted)

1970-2010
• Upgrade Treatment Plants
• Built Interceptor System

2011-2040
• Asset Preservation
Capital Program Breakdown

- Preservation: 85%
- Expansion: 9%
- Quality Improvements: 6%
MCES Capital Program
Interceptor System Investments

- MCES Treatment Plants
- Project Under Design
- Project Under Construction
- Project Start Next 5 Years
- MCES Interceptor
Debt Service History

- Upgraded Metropolitan Plant and expanded Empire Plant in 2003-2005
- Debt service was structured to have principal repaid in later years in effort to smooth rate increases
- Interceptor renewal has been accelerated since 2013 to ensure reliable service
MCES Capital Program Decrease

- Mitigation of Debt Service Increases:

  - Slow pace of Interceptor System Asset Renewal
  - Take advantage of recent bids lower than budgeted

**Approved 2017-2022 Plan:**

- $895 Million

**Proposed 2017-2022 Plan:**

- $760 Million
2017 Uses by Category

- Debt Service: 46%
- Salaries & Benefits: 23%
- Consulting & Contractual: 8%
- Materials, Supplies & Chemicals: 6%
- Interdivisional Services: 6%
- Rent & Utilities: 6%
- Other: 5%
Cost Control

• Asset Management
• Continuous Improvement
• Work Force Development
Cost Control: Labor

MCES Full Time Employees 2002 - 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>754</td>
</tr>
<tr>
<td>2003</td>
<td>732</td>
</tr>
<tr>
<td>2004</td>
<td>719</td>
</tr>
<tr>
<td>2005</td>
<td>698</td>
</tr>
<tr>
<td>2006</td>
<td>696</td>
</tr>
<tr>
<td>2007</td>
<td>694</td>
</tr>
<tr>
<td>2008</td>
<td>695</td>
</tr>
<tr>
<td>2009</td>
<td>695</td>
</tr>
<tr>
<td>2010</td>
<td>694</td>
</tr>
<tr>
<td>2011</td>
<td>670</td>
</tr>
<tr>
<td>2012</td>
<td>676</td>
</tr>
<tr>
<td>2013</td>
<td>660</td>
</tr>
<tr>
<td>2014</td>
<td>671</td>
</tr>
<tr>
<td>2015</td>
<td>651</td>
</tr>
<tr>
<td>2016</td>
<td>654</td>
</tr>
<tr>
<td>2017</td>
<td>656</td>
</tr>
</tbody>
</table>
Revenue Sources

- Municipal Wastewater Charges: 78%
- Sewer Availability Charge (SAC): 15%
- Industrial Waste Charges: 5%
- Other: 2%

Total Revenue Distribution: 100%
Municipal Wastewater Charges

• MCES charges communities a **wholesale** fee for annual volume
  - Firm Flow allocation method
  - Communities pay portion of MWC corresponding to their percent of total flow
  - 2018 billings based on percent of 2016 flow

• Communities charge businesses and residents a **retail** fee for sewer volume
  - Communities incorporate the MCES fee into their own utility fees.
  - On average, the MWC represents approximately 60% of the system average retail sewer fee.
## MWC: City Flow Can Impact City Increases

<table>
<thead>
<tr>
<th></th>
<th>Flow – 2016</th>
<th>% of Total – 2016</th>
<th>Flow – 2017</th>
<th>% of Total – 2017</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>City ABC</td>
<td>10,000</td>
<td>11.68%</td>
<td>10,000</td>
<td>11.72%</td>
<td>5.8%</td>
</tr>
<tr>
<td>City XYZ</td>
<td>500</td>
<td>.58%</td>
<td>550</td>
<td>.64%</td>
<td>16.4%</td>
</tr>
<tr>
<td>City 123</td>
<td>1250</td>
<td>1.25%</td>
<td>1100</td>
<td>1.15%</td>
<td>4.8%</td>
</tr>
<tr>
<td>All Others</td>
<td>75,100</td>
<td>86.47%</td>
<td>74,750</td>
<td>86.52%</td>
<td>5.3%</td>
</tr>
<tr>
<td>System Total</td>
<td>86,850</td>
<td>100%</td>
<td>86,400</td>
<td>100%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

- A community’s change in **percentage of the total** is what will determine their rate increase.
  - I.e., a community who maintains flow while the total system flow increases will see a smaller rate increase (City ABC)
  - A community who increases flow will see a larger rate increase (City XYZ)
  - A community who reduces flow will see a smaller rate increase (City 123)
Municipal Wastewater Charges Goals

- **2016-2017:** 5.4% Increase

- **2018-2022 Projection:** 5-7% Increase *(Due to Debt Service Pressure)*

- **2018-2022 Goal:** <4% Increase

- **Long-Term Goal:** ≤ Inflation Rate
Sewer Availability Charge (SAC) allows MCES to build for the future, & charge in the future

• MCES builds pipes in anticipation of future growth, but distributes the cost over time and generations.

• SAC future-proofs our system, allowing all communities to grow.
SAC serves the community

- Acts as a savings program: capacity built up front, users only pay when additional capacity is needed
- Promotes regional growth: development can occur anywhere in the region
- *Frequent meetings with stakeholders to verify the program serves its constituents*
SAC Information

• Charged to municipalities (wholesale)
  • Revenue reduces volume charge to cities

• For new connections or increased demand (available capacity)

• 1 SAC unit charged per 274 gallons of maximum daily wastewater flow availability

• Availability ≠ Treatment Service
  = “Capacity we stand ready to serve”

There are options to ease the SAC burden, including SAC deferral program
Historical SAC Rate Increases (%)
SAC Units: Recovering


21,150 20,542 19,334 17,052 15,193 10,392 6,653 8,304 9,817 14,303 15,663 14,589 18,096 18,427
Task Force Updates - SAC

• Cross functional, cross regional team
  • 14 members: finance, public works, city managers, building officials, restaurants, medium business
  • Chaired by Met Council Member Wendy Wulff
  • Co-facilitated with MetroCities

• 4 Focus areas
  • SAC for Outdoor Seating
  • SAC for Manufactured Homes
  • Improving SAC determinations
  • Improving SAC credit process
Task Force Updates – Inflow and Infiltration Program

• Cross-discipline, multi-community team
  • 20 members: finance, public works, city managers
  • Chaired by Met Council Member, Environmental Committee Chair Sandy Rummel
  • Co-facilitated with MetroCities

• Assignment
  • Review existing program and system responses to wet weather
  • Discuss challenges of private property I/I mitigation
  • Identify opportunities for private property I/I mitigation
  • Develop recommendations for MCES to implement
    • public outreach program
    • technical resources
    • financial resources
Task Force Updates - Wastewater Reuse

- Cross functional, cross regional team
  - 14 members: finance, public works, city managers, building officials, restaurants, medium business
  - Chaired by Met Council Member, Environmental Committee Chair Sandy Rummel
  - Co-facilitated with MetroCities

- 4 Focus areas
  - Review Council’s policies for wastewater reuse
  - Discuss regional benefit of wastewater reuse
  - Discuss rate structure
  - Discuss partnership opportunities with communities
City of Plymouth 2017 MWC Determination

Plymouth Cost Allocation Year Metered Flow, 2,235.20 million gallons (MG).

Plymouth Cost Allocation Year Unmetered Flow, 43.36 MG. Depending on the total yearly precipitation, the assigned wastewater generation rate per connection count (where applicable) can vary between 60,000 and 100,000 gallons/year/REC. This rate is based on historical community responses to wet weather, age of services and other available data. The total “water equivalent precipitation” in 2015 was 36.14 inches, which was above the 30-year average of 30.61 inches. This resulted in assigned the generation rates below.

<table>
<thead>
<tr>
<th>City Flowed To</th>
<th>Calculation</th>
<th>Flow (MG)</th>
<th>Notes Re. Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wayzata</td>
<td>30 REC x 100,000 gpy</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Minnetonka</td>
<td>(75 REC x 100,000 gpy) + 10,230,000 gal comm. + 5,930,000 gal inst.</td>
<td>10.12</td>
<td>Commercial and institutional volumes are based on water use months submitted by the City of Plymouth</td>
</tr>
<tr>
<td>Maple Grove</td>
<td>317 REC x 100,000 gpy</td>
<td>31.70</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ADR</strong></td>
<td></td>
<td>43.87</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City Flowed From</th>
<th>Calculation</th>
<th>Flow (MG)</th>
<th>Notes Re. Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnetonka</td>
<td>1 REC x 60,000 gpy</td>
<td>6.06</td>
<td></td>
</tr>
<tr>
<td>Medicine Lake</td>
<td>(2 SFA x 100,000 gpy)</td>
<td>0.38</td>
<td>3 REC @100 days for catering hall</td>
</tr>
<tr>
<td><strong>TOTAL DEDUCTS</strong></td>
<td></td>
<td>0.46</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>43.36</td>
<td></td>
</tr>
</tbody>
</table>

For the 2017 Cost Allocation Year, the total regional flow was 85,298.36 MG.

The 2017 Metropolitan Wastewater Charge to be allocated was $211,941,538.

The City’s 2017 Flow Allocation was 2,278.56 MG, which represents 2.67\% of the total regional flow. Therefore, the City’s 2017 Annual Charge was $5,691,556.64 or 2.67\% of $211,941,538.

The City’s 2017 Annual Charge represents a 7.26\% increase from the 2016 Annual Charge. It should be noted that this percentage incorporates an overall budget increase of 5.4\%.

City of Plymouth MCES Facilities

Watch in May for...
2018 Rate Setting Schedule

• April 6 & 13: Customer Listening sessions
• April 27: Industrial Waste Customer Forum
• May 9: Environment Committee Direction for Public Meetings
• Municipal Customer Forums*
  • May 23: Minnetonka Community Center
  • June 8: Metro Cities St. Croix Room
• July 11: Environment Committee Review of Customer Input & 2018 Rate Adoption Recommendation
• July 26: Council Rate Adoption
• Aug. 23: Council Preliminary Operating Budget Adoption

* public input
1. What can be done to more clearly explain MCES services and fees?
2. What are your primary customer concerns?
3. What can MCES do better?
Other Q&A?